State of the Industry

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NHMA88

Highlights of 1987 Sales and Marketing Performance, Trends and Issues Reported by Housewares Manufacturers and Tabulated by the Consulting Firm of Touche Ross & Company Within the Framework of an Industry-Wide Research Undertaking Commissioned by the National Housewares Manufacturers Association

INTRODUCTION

NHMA is pleased to present the highlights of its 1987 Industry Survey. This initiative was designed to provide actionable, historical facts to the NHMA membership about the size and nature of the Industry, product categories, channels of distribution, selling and marketing methods, and key operating and financial statistics.

This controlled survey contained a comprehensive glossary to ensure that respondents used consistent standards when reporting their data. Over 400 surveys were received, representing approximately 24% of the membership -- 76% of them were completed by a Vice President or above. In subsequent years, the Industry will be able to track the direction and relative speed of each of the major findings noted herein.

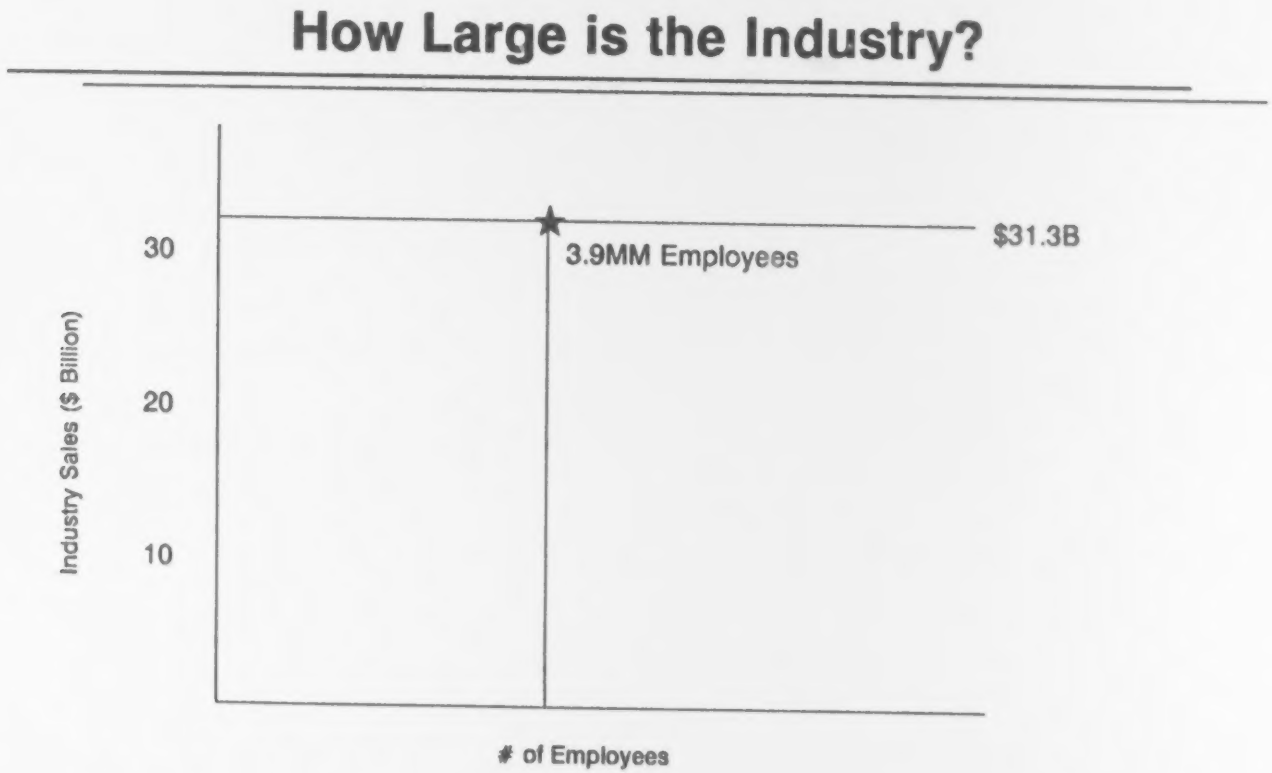
For the information of the reader, a 40-page indepth analysis of the total data collected also has been prepared by the consulting firms of Touche Ross & Company and Braxton Associates whom NHMA retained to undertake this historic base-line study of the Housewares Industry.

The indepth analysis is available only to the member companies who completed the entire 9-page questionnaire/instrument which was designed to provide an incisive and comprehensive probe of Industry trends and characteristics. This report identifies and discusses the different options survey respondents chose to accelerate their growth. Moreover, it contains key operating and financial ratios sorted by type and size of company along with a complete explanation of each ratio. This particular aspect of NHMA's annually conducted studies will provide benchmarks against which participating members can measure and evaluate their individual company performance. Its availability as a membership service will be to those companies who participate in each year's survey. It is NHMA's goal to generate increased member participation and, from one year to the next, continually expand upon the information provided.

Next year's study also will feature the one-year later dynamic of measuring comparative shifts in sales, marketing and operating performance experienced by this year's core participants.

1. INDUSTRY OVERVIEW

The Housewares Industry as represented by the eleven NHMA product categories* is approximately a $31.3 billion dollar industry, employing approximately 3.9 million people.

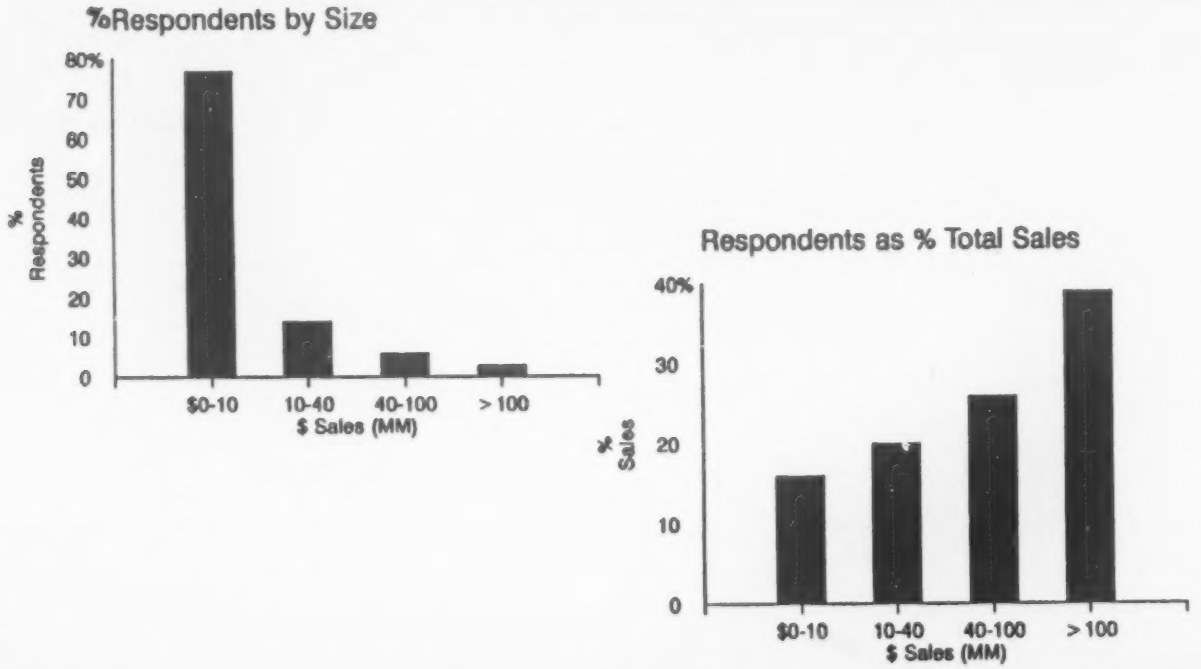


*See Glossary

1. INDUSTRY OVERVIEW (Cont'd.)

The industry is comprised of both very large and small manufacturing and distribution companies. Average company sales are approximately $13 million / year although approximately 40% of the industry sales are concentrated in less than 4% of the companies. Conversely, companies selling $10 million or less represent only 18% of industry sales but over 75% of the number of firms.

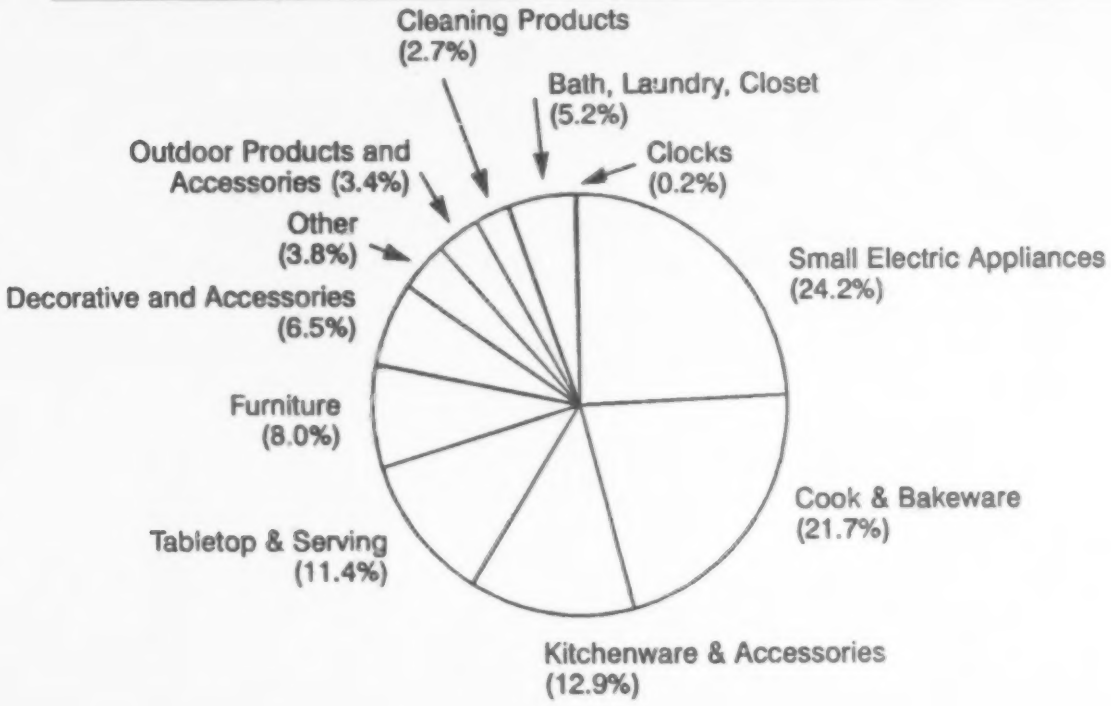
1987 NHMA Industry Respondents



INDUSTRY OVERVIEW (Cont'd.)

The Small Electric Appliances,Cook and Bakeware, Kitchenware and Accessories and Table Top and Serving categories represent approximately 70% of housewares dollar volume.

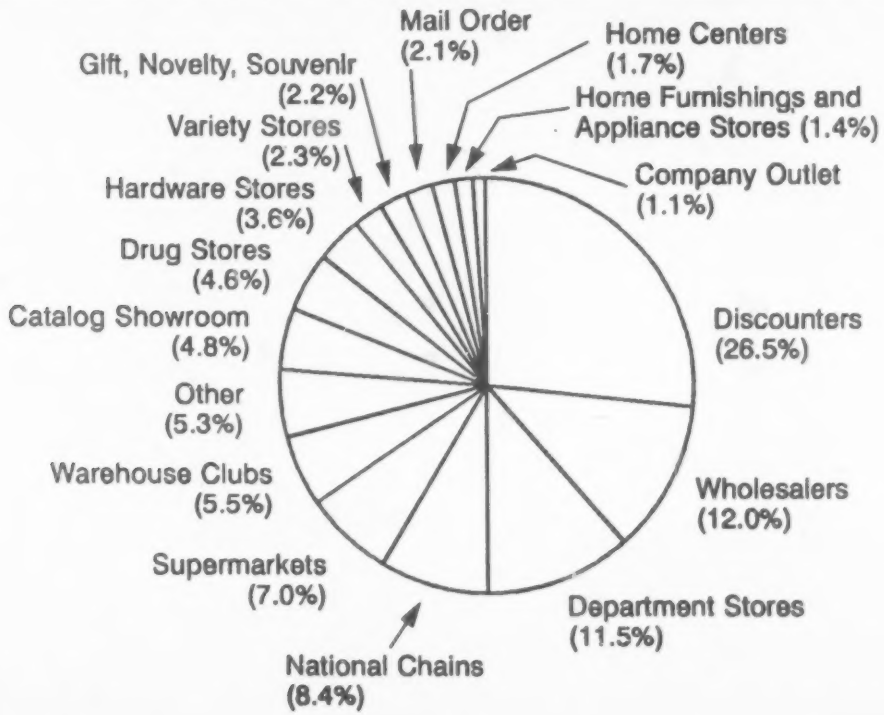
Sales Distribution by Product Category



INDUSTRY OVERVIEW (Cont'd.)

Over 65% of the housewares product sales are done through five channels - discounters (26.5%), wholesalers (12.0%), department stores (11.5%), national chains (8.4%) and supermarkets (7.0%).

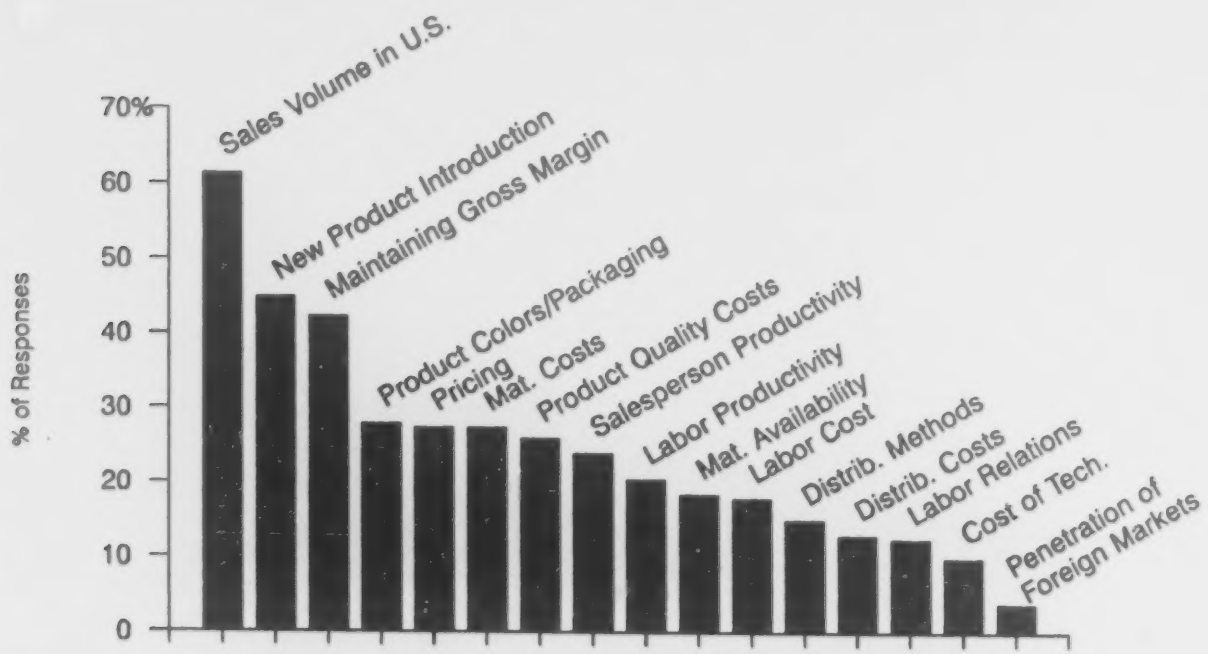
Sales Distribution by Channel



2. SALES AND MARKETING METHODS AND TRENDS

This section is designed to isolate the different sales and marketing methods common to high growth housewares companies. The majority of respondents ranked "growing sales volume" as their top priority.

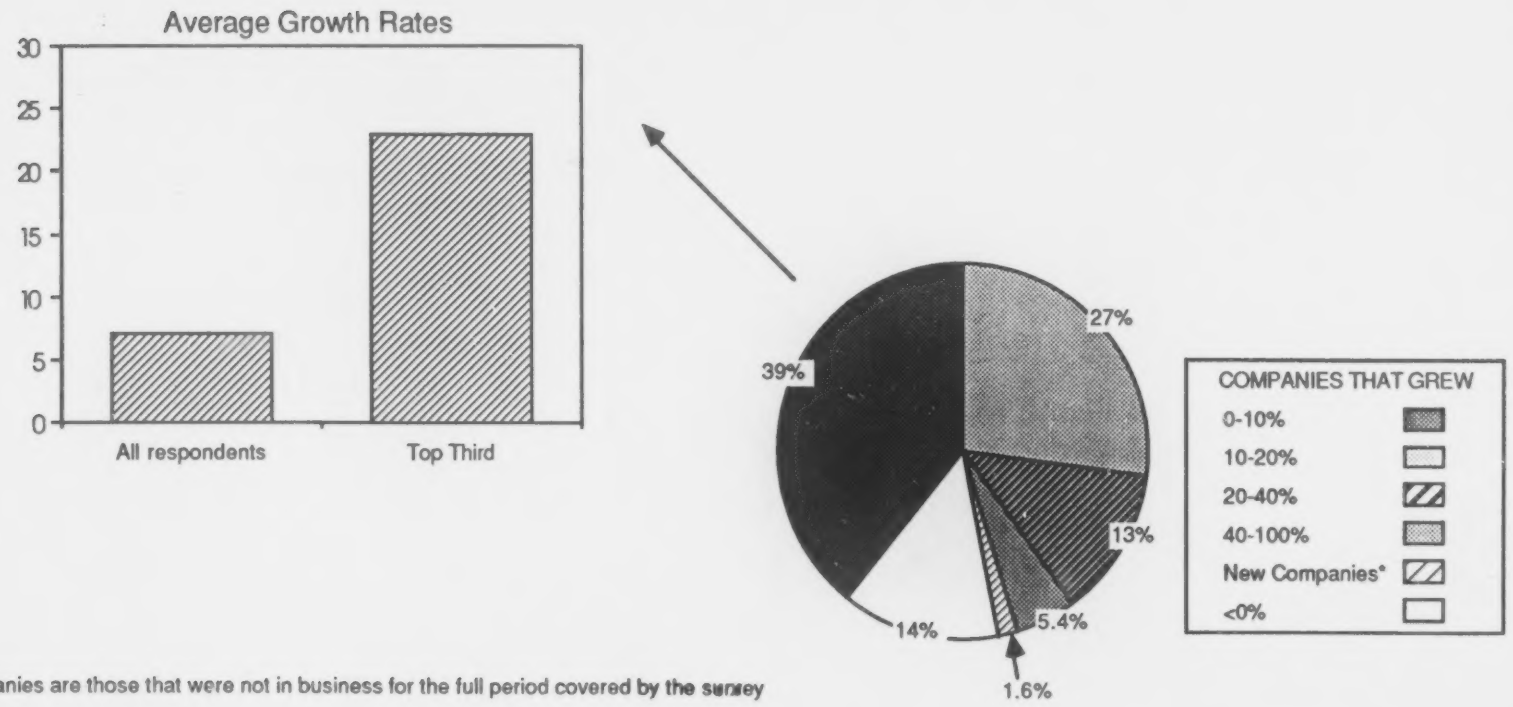
Management's Top Priorities - Internal



2. SALES AND MARKETING METHODS AND TRENDS

Overall, the industry grew at a real 7% compounded annual growth rate from 1984 - 1985 to 1986 - 1987 outpacing the U.S. GNP. However, one third of the industry grew at 23% per year over this same two year period (excluding new companies). These are referred to as the "high growth companies" through this section of the report.

Sales Distribution by Annual Growth Rates

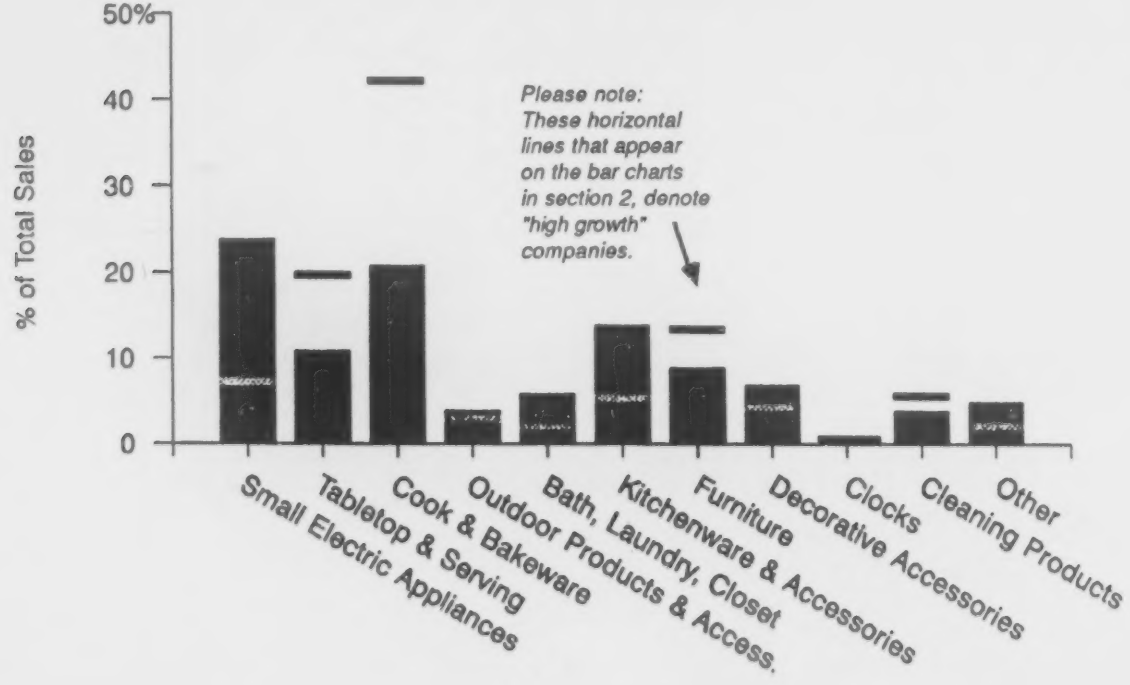


*New companies are those that were not in business for the full period covered by the survey

2. SALES AND MARKETING METHODS AND TRENDS

Over 60% of the high growth companies sales were concentrated in Tabletop and Serving and Cook and Bakeware categories.

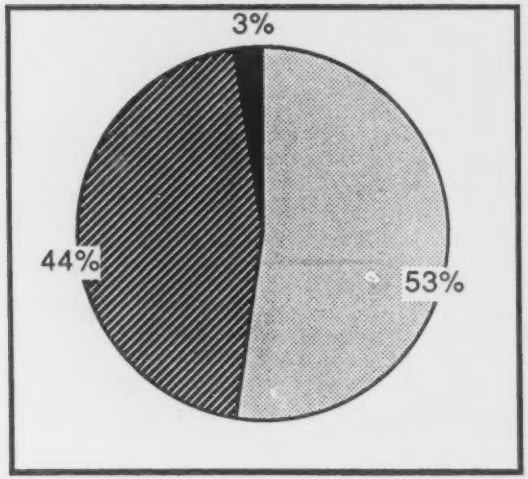
Sales Distribution by Product

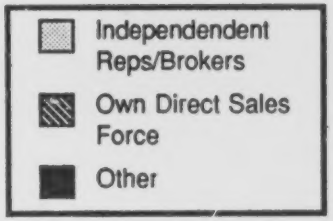


2. SALES AND MARKETING METHODS AND TRENDS

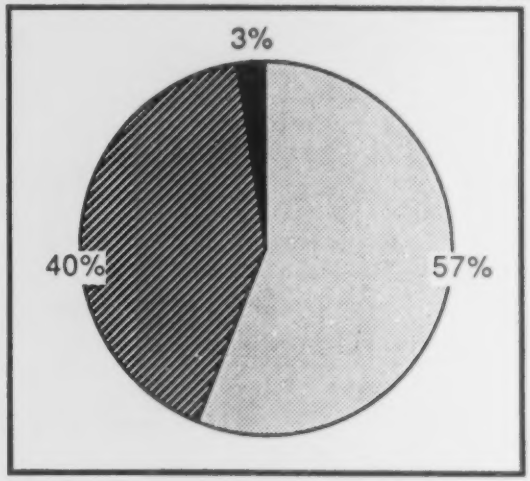
All companies use a mix of in house and broker sales people to distribute their products. High growth manufacturers use independent representatives and brokers at a slightly higher rate.

ALL MANUFACTURERS





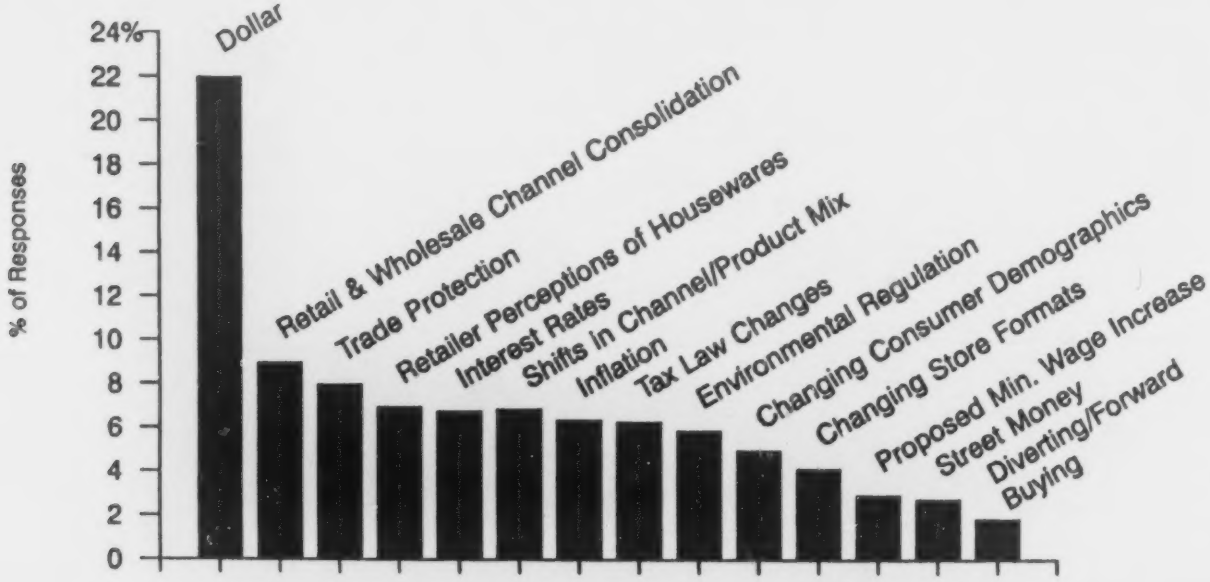
HIGH GROWTH MANUFACTURERS



2. SALES AND MARKETING METHODS AND TRENDS

Top management attention is focused on the dollar and trade protection.

Management's Top Priorities - External



GLOSSARY

The following terms and definitions are necessary to correctly complete the survey. They are cross referenced by number into the body of the survey.

1. **"HOUSEWARES"** are represented by eleven segments which include:

a.) **Small Electric Appliances**
Examples:
food processors, microwave ovens, fans, can openers, coffee makers, hair dryers, shavers, vacuums

b.) **Tabletop, Serving Products & Accessories**
Examples:
cutlery, china, beverageware, flatware, napkins, tablecloths

c.) **Cook and Bakeware**
Examples:
glass & metal pots & pans, microwave ware, enamel ware

d.) **Outdoor Products & Accessories**
Examples:
barbecue grills, pads, cushions, pool toys, thermos, outdoor furniture picnic items

e.) **Bath, Laundry, Closet & Storage**
Examples:
fixtures, shower curtains, shelving, racks, baskets, dividers, ironing pads

f.) **Kitchenware & Accessories**
Examples:
tools, gadgets, plastic and rubberware, kitchen textiles

g.) **Furniture**
Examples:
Indoor and RTA furniture – tables, chairs, bookcases and space saver systems

h.) **Decorative Accessories**
Examples:
picture frames, vases, silkflowers, window furnishings, mirrors, lighting fixtures

i.) **Clocks**
Examples:
mechanical and electrical clocks

j.) **Cleaning products**
Examples:
brooms, mops, brushes, sponges, chemicals and polishes

k.) **Other**,
Examples:
sewing, flashlights, candles

2. **Houseware Manufacturer** – company primarily engaged in production or assembly of houseware products for resale to other manufacturers, wholesalers & retailers or directly to consumers.

3. **Importer** – Individual or company primarily engaged in importing from outside the U.S.

GLOSSARY (cont'd)

4. **Channels** – refers to the various channels of distribution including:

	Examples
– Wholesalers(5)	*SuperValu, McKesson*
– Discounters	*K Mart, Target, Walmart, Zayre*
– Supermarkets	*Kroger, Safeway*
– National chains	*Sears, Penneys, Montgomery Ward*
– Department stores	*Bloomingdales, Filenes*
– Variety stores	*McCrory, Family $, Woolworth*
– Drug stores	*Walgreen, Rite Aid*
– Catalog Showroom stores	*Service Merchandise*
– Gift, Novelty, Souvenir stores	
– Hardware stores	*True Value*
– Warehouse Clubs	*B-J's, Sams, Price Club*
– Home Centers	*Grossmans*
– Home Furnishings and Appliance Stores	*Levitz, Crate & Barrel, Pier 1*
– Mail Order	*William Sonoma*
– Company Outlet	
– Other	

5. **Wholesaler/distributor** – company which purchases finished products for resale to retail channels. These include, for example, grocery, drug, service merchandisers (rack jobbers) and general merchandise wholesalers.

6. **Retail outlets** – includes department, grocery, variety and other stores who sell directly to end user. (See Part 4 above.)

7. **Sales volume** – dollar value of products sold.

8. **Operating profit** – income from operations before federal, state and local tax.

9. **Inventory** – the dollar value of your unsold, on hand raw materials, work in process and finished goods at your cost. (Please report on first in first out basis. See your financial statements)

10. **Total assets** – the dollar value of cash, accounts receivable, inventory and property, plant and equipment that your company owns. (See your financial statements)

11. **Total liabilities** – the dollar value of all monies owed by your company, either secured or unsecured, short and long term. (See your financial statements)

12. **Realized gross margin** – the difference between a product's net selling price and its cost. For this survey net selling price is after cash discounts, off invoice and other allowances given to the purchaser. **Cost is your manufactured cost before distribution, selling and general/admin. cost or purchased cost, if you source the product from outside your company.**

13. **Consumer promotion** – expenditure directed at end user. For example; coupons, rebates, sweepstakes, radio/TV advertising.

14. **Trade promotion** – expenditure directed at a wholesaler/distributor or retailer. For example; volume rebates and trade advertising.

15. **Slotting allowances** – money paid to retailer or wholesaler by a supplier/manufacturer for space and distribution of their products through the retailers/wholesalers warehouse.

16. **Annual payroll** – includes salaries, wages and all payroll taxes paid by your company.

NHMA NATIONAL HOUSEWARES MANUFACTURERS ASSOCIATION • 1324 MERCHANDISE MART • CHICAGO, ILLINOIS 60654-1273